

Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 PA-01 PRS-01 USIA-06 L-02 DODE-00 PC-01 /091 W

----- 116245

R 211007Z APR 75

FM ATEOBASSY ADDIS ABABA

TO SECSTATE WASHDC 4160

INFO AMEMBASSY KHARTOUM

AMEMBASSY LONDON

AMEMBASSY MOGADISCIO

AMEMBASSY NAIROBI

AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: EFIN ET

SUBJECT: EPMG APPARENTLY UNDERTAKING MAJOR DEFICIT FINANCING
PROGRAM

1. ACCORDING TO INFORMED SOURCES IN THE MINISTRY OF FINANCE, THE NATIONAL BANK OF ETHIOPIA HAS INCREASED DIRECT ADVANCES (SHORT-TERM CREDIT TO GOVERNMENT) FROM E\$25 MILLION IN JANUARY TO E\$95 MILLION IN MARCH. IN ADDITION, THE MINISTRY OF FINANCE IS REPORTEDLY ABOUT TO FLOAT E\$70 MILLION BOND ISSUE WHICH THE NATIONAL BANK WILL PROBABLY ABSORB. ACCORDING TO AID CALCULATIONS, TOTAL GROSS INTERNAL DEBT WHICH STOOD AT E\$237.2 MILLION AT THE END OF FY 74 COULD INCREASE BY AS MUCH AS 70 PERCENT BY END OF FY 75. THE INFLATIONARY EFFECTS OF THIS DEFICIT FINANCING ARE UNCLEAR BUT WILL PROBABLY NOT BE SERIOUS IN VIEW OF THE SHARP REDUCTION IN THE DEMAND FOR PRIVATE CREDIT.

2. THE EPMG IS APPARENTLY EXPANDING ITS DEFICIT FINANCE EFFORT
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AS A RESULT OF INCREASED EXPENDITURES, MOSTLY UNBUDGETED, FOR THE

AEMATCHA, MILITARY PURCHASES FROM THE US (TOTALING APPROXIMATELY
E\$40 MILLION THUS FAR IN FY 75), ETHIOPIAN GRAIN CORPORATION
CEREAL PURCHASES AND PUBLIC WORKS ACTIVITIES. IT IS ALSO LIKELY
THAT REVENUES HAVE NOT BEEN HOLDING UP, ESPECIALLY IN THE FOREIGN
TRADE SECTOR. THIS IS RATHER DIFFICULT TO DETERMINE, HOWEVER, AS
INFORMATION REGARDING REVENUES AND EXPENDITURES IS ALMOST IMPOSSIBLE
TO OBTAIN. IN ADDITION, THE EPMG FISCAL PROCESS IS CURRENTLY IN
DISARRAY: FY 74 BUDGET ACTUALS ARE STILL UNAVAILABLE; A COMPLETE
FY 75 BUDGET HAS NOT BEEN ISSUED, AND FY 76 BUDGET PREPARATION
HAS JUST STARTED.
HUMMEL

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Message Attributes

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Margaret P. Grafeld
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